



FREDERICK COUNTY COUNCIL

Local Government Fiscal Estimate of Legislation

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	16-18
Bill Title:	Establish a Small Business Real Property Tax Credit
Local Government Agency:	Frederick County Division of Finance
Prepared By:	Lori Depies and Diane Fox
Title:	Directors, Finance and Treasury
Phone Number:	301-600-1753
E-Mail Address:	ldepies@frederickcountymd.gov
Due Date:	December 12, 2016
Date Submitted:	December 27, 2016

FREDERICK COUNTY COUNCIL

Local Government Fiscal Estimate of Legislation

Date:						
Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.						
1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why.</u>					
Implementation of the small business tax credit would reduce real property tax revenues as shown below. Implementation of the credit would have a negligible impact on the Department of Treasury. Any impacts to the Treasury Department resulting from the adoption of this bill can be adequately accommodated by existing staff levels and operations.						
2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.					
This legislation would have a positive impact on small businesses because it will enable them to receive property tax credits over a six year period that will offset a portion of property tax increases that are due to their qualifying investment in new or expanded premises. We are estimating that a small business could receive credits on their property tax bills of \$1,272 in years 1 and 2, credits of \$954 in years 3 and 4, and credits of \$636 in years 5 and 6. These estimates are based on an average assessment increase of \$300,000 with an average tax increase of \$3,180.						
FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES						
<u>REVENUES</u>						
3.	Analysis of estimated increase (or decrease) in government revenues. Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.					
<u>Source</u>		<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Decrease in property tax revenues		\$0	(\$6,360)	(\$19,080)	(\$30,210)	(\$39,750)
TOTAL \$		\$0	(\$6,360)	(\$19,080)	(\$30,210)	(\$39,750)
		Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.				
Because this is a new credit with no history, it is difficult to estimate with accuracy the amount of assessment increases and the amount of related credits. Based on estimates from the Office of Economic Development, 5 current businesses may expand and qualify for the credit, and 10 new business a year may qualify for the credit. Based on assessment increases for other improvement based credits, we are estimating an average assessment increase of \$300,000 with an average tax increase of \$3,180. Revenue decreases are not constant because we are estimating that 10 new business will qualify each year and the credit extends over six years, with the amount of credit decreasing every two years until it is zero in the seventh year. Because FY17 will not be a full year assessment for any qualifying investment or expansion, it is doubtful that any small business will qualify for FY17.						

FREDERICK COUNTY COUNCIL

Local Government Fiscal Estimate of Legislation

<u>EXPENDITURES</u>						
4.	Analysis of estimated increase (or decrease) in government expenditures. Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.					
<u>A. Salaries & Wages</u>		<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
FTE Employees - _____ # of positions						
Fringe Benefits						
TOTAL (Salaries, wages & benefits)		\$	\$	\$	\$	\$
N/A	Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.					
<u>B. Other Operating Expenses</u>		<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Technical/Special Fees, Grants/Subsidies						
Communications-Phone, Postage						
Travel, Food, Auto, Fuel & Utilities						
Contractual Services						
Supplies						
Equipment-Replacement						
Equipment-Additional						
Land & Structures, Fixed Charges						
Other (Please Specify on Extra Page(s))						
TOTAL (Expenditures)		\$	\$	\$	\$	\$
N/A	On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."					
N/A	Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses.					

FREDERICK COUNTY COUNCIL

Local Government Fiscal Estimate of Legislation

4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2016 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

Fiscal 2017 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
Communications – Phone, Postage description/breakdown	\$
Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
Contractual Services description/breakdown	\$
Supplies description/breakdown	\$
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown	\$
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff
Frederick County Council • E-Mail: RCherney@FrederickCountyMD.gov